

ALERT!

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ALERT #89

TO: Controllers and Chief Financial Officers of State Departments
 and Higher Education Institutions

FROM: Clifford W. Hall
 State Controller

DATE: March 15, 1996

SUBJECT: *Statewide Payroll Staff Joins Human Resource Division*
 FY96 Year End Processing for August 3, 1996
 COFRS Closing Dates
 Field Control Section Changes
 Unpaid Leave Charged to Federal Grants and Contracts
 Unallowed Interest Expense in Central Service Agency Billings
 State Fiscal Rule Revision
 Use of Special Provisions in State Contracts

Statewide Payroll Staff Joins Human Resource Division

Approximately one year ago, a task force was formed within General Support Services (GSS) to make recommendations to achieve new efficiencies and improve customer service in delivery of our human resource services. One recommendation was to merge our statewide payroll and personnel functions. On March 8th that recommendation was implemented when the six employees of the statewide payroll staff at Division of Accounts and Control relocated to new offices at 1313 Sherman Street, Room 114. While phone numbers did not change and most staff functions remain intact, the management responsibilities for the payroll unit shifted from the Division of Accounts and Control to the Division of Human Resource Services. This change will expand the human resource functions to include payroll, personnel and benefits.



FY96 Year End Processing for August 3, 1996

The Open/Close Committee agreed that Wednesday, July 31 is the final close for agencies. Friday, August 2 is the final close for the State Controller. This will facilitate the earlier closing requirement. Processing will occur over the weekend. As a result, COFRS will be up late Monday, August 5, 1996. Reports for year-end close will be delivered Tuesday, August 6, 1996. The committee felt this inconvenience was a small price to pay to improve the quality of the close. Application Services staff are working on this new plan to minimize possible problems. Questions about this schedule should be directed to Dennis Wolfard at 303/866-3895.

COFRS Closing Dates

COFRS closing dates for FY97 have been set through period 11 for your planning purposes.

MONTH	CLOSING DATE
June, 1996 (Preliminary) Period 12	July 12, 1996
July, 1996 (Final) Period 13	August 2, 1996
July, 1996 FY97 Period 1	August 16, 1996
August, 1996 FY97 Period 2	September 13, 1996
September, 1996 FY97 Period 3	October 11, 1996
October, 1996 FY97 Period 4	November 15, 1996
November, 1996 FY97 Period 5	December 13, 1996
December, 1996 FY97 Period 6	January 10, 1997
January, 1997 FY97 Period 7	February 14, 1997
February, 1997 FY97 Period 8	March 14, 1997
March, 1997 FY97 Period 9	April 11, 1997
April, 1997 FY97 Period 10	May 16, 1997
May, 1997 FY97 Period 11	June 13, 1997
June, 1997 (Preliminary) Period 12	to be announced
July, 1997 (Final) Period 13	to be announced

Field Control Section Changes

Deborah Cottle joined DOAC's Field Control Section on January 22, 1996. She had previously worked for the University of Colorado. She has assumed the responsibilities that Jeanne Gregory had and can be reached at 303/866-3818. Welcome to Deborah!

We are sad to announce that effective March 1, 1996, Bob Goodnough left the DOAC to assume the Controller position at the Department of Natural Resources. Goodbye and good luck to Bob! We are happy to announce that effective March 11, 1996, Roger Cusworth became DOAC's newest Field Controller. Roger comes to us from the State Auditor's Office where he has worked

since 1990. Roger will be assuming all of Bob's agency assignments and can be reached at 303/866-3891. Welcome to Roger!

Effective April 1, Beverly Matulik will be working with the Department of Personnel/GSS as their Field Controller. Attached to this Alert are the new agency assignments.

Unpaid Leave Charged to Federal Grants and Contracts

The revised Circular A-87 issued on May 17, 1995 became effective on September 1, 1995. This circular changes the manner in which state agencies can charge retirement/termination payments for unused leave to federal grants and contracts. It prohibits your agency from making direct charges to federal grants and contracts for disbursements for retirement/termination payments. This change is included in Circular A-87, Attachment B, Section 11, Part d, Sub-Part (3).

Prior to the adoption of the revised Circular A-87, your agency was allowed to make a direct charge to a grant for these payments to an employee who performed work related to the grant. Your agency must now include these payments in the general administrative indirect cost pool(s) in your agency's indirect cost rate proposal. Only payment to employees whose personal service costs meet the criteria of Circular A-87, Attachment A, Section C, Part 1 (a to j) can be included in the administrative indirect cost pool(s).

If your agency uses a full absorption cost system that has been certified by the federal government through a documented indirect cost allocation plan to allocate costs, the allocation of the unused leave can be made directly to federal contracts and grants as specified in the plan document. Four non-higher education agencies use this type of certified system. These agencies are the Department of Labor and Employment, the Department of Transportation, the Department of Human Services, and the Department of Health Care Policy and Financing.

The Division of Accounts and Control realizes that this change in federal regulations raises many budgeting issues. Members of the Office of State Planning and Budgeting staff, the Joint Budget Committee's staff, and the Division of Accounts and Control staff have discussed the budgetary issues that agencies indicated were caused by this change. The problem was presented to the Joint Budget Committee and suggested solutions were discussed. The committee decided to allow time to assess the impact of the change and to handle individual problems which agencies experience during fiscal year 1997 during the supplemental request phase of the budget cycle.

If you have any questions related to this change or any other change in Circular A-87, please call Dennis Palamet at 303/866-3240.

Unallowed Interest Expense in Central Service Agency Billings

The Division of Cost Allocation of the U.S. Department of Health and Human Services has requested that the State of Colorado discontinue offsetting the unallowed interest expense. This

affects the billings from the General Government Computer Center, the Division of Telecommunications, and the Division of Central Services and Fleet Management against Section I allocations of the Statewide Cost Allocation Plan to agencies and to begin to comply with Circular A-87.

The State of Colorado has removed the credit for the unallowed interest from the Statewide Cost Allocation Plan effective with the plan used in agency proposal documenting rates which will be applied beginning July 1, 1996.

The following divisions of the General Support Services Department have agreed to comply with OMB Circular A-87 through the following administrative procedures:

- The General Government Computer Center, the Division of Telecommunications and the Division of Central Services and Fleet Management will identify either the percentage or the amount of the bill that is for unallowable interest expense on the face of each agency's monthly billing.
- The Division of Accounts and Control will require state agencies to eliminate the unallowable interest portion from the billed amounts charged to federal grants.
- The Division of Accounts and Control will require state agencies to exclude the unallowable interest portion of these billings from any indirect cost pool that is used to compute rates and recover indirect costs from federal grants and contracts.

The agencies of the State of Colorado that use the services of the above central service agencies will be required to implement the following administrative procedures to comply with OMB Circular A-87.

- Agencies will change the accounting processes for federal grants to ensure that the unallowable interest portion of these billings from these central service agencies are not directly charged to federal grants.
- Agencies will change their procedures used to prepare indirect cost rate proposals to ensure that the unallowable interest portion of these billings from these central service agencies are excluded from any indirect cost pools in the agency's indirect cost rate proposal.

If you have any questions related to this change, please call Dennis Palamet of the Division of Accounts and Control at 303/866-3240.

State Fiscal Rule Revision

The State Controller recently adopted changes to four of the State Fiscal Rules:

- Rule 2-8 “Miscellaneous Compensation and Other Benefits” was changed by adding language to the last paragraph on page 2 to bring the rule into compliance with state statutes;
- Rule 2-9 “Moving and Relocation” was changed omitting the reference to gender;
- Rule 4-1 “State Contracts” was changed to eliminate the requirement for “special provisions” in interagency agreements and some of the required approvals from some state contracts; and
- Rule 6-1 “Travel” was changed to clarify when the mileage rate for four-wheel drive vehicles could be claimed.

Copies of the changes were distributed to controllers and chief fiscal officers by DOAC on March 11, 1996. Additional copies may be ordered from State Forms and Publications. Please use commodity number 615-82-50-1104 when ordering the April 1, 1996 changes. To obtain additional copies of the complete State Fiscal Rules you will need to order both the September, 1995 State Fiscal Rules (615-82-50-1005) and the April, 1996 Revisions.

Use of Special Provisions in State Contracts

State Fiscal Rule 4-1 requires all state contracts to contain Special Provisions as set forth in Appendix A of that rule. As you recall, state agencies may purchase these forms from Juniper Valley. Several state agencies have inquired whether the language of the Special Provisions can be keyed into a word processor for subsequent incorporation into state contracts. Yes, this may be accomplished however, you must be extremely careful to ensure that the exact language is correctly keyed, including comma's, periods, etc. No changes of any kind are authorized. For ease of review, the format of the Special Provisions must be as similar as possible to Appendix A. Also, the Special Provisions must continue to be the final pages of the contract.

In addition, if an agency is delegated to sign a contract on behalf of the State Controller, the agency may change the signature block portion of the Special Provisions to coincide with the requirements of their delegation letter. Please refer to your delegation letter and the signature block you are required to use when signing on behalf of the State Controller. Also, if a state agency has contracts where the legal review by the Attorney General has been waived by the State Controller, the state agency may remove the Attorney General signature block and insert a signature block for the state agency pre-approved form contract reviewer.

Questions concerning Special Provisions should be referred to Phil Holtmann at 303/866-3809.